

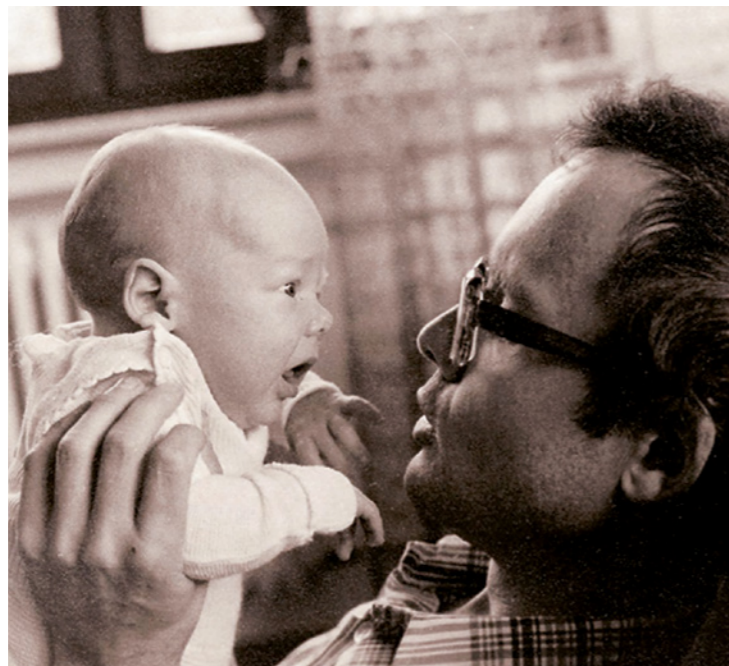


hessnatur

FÜR MEHR MORGEN

IMPACT REPORT FINANCIAL YEAR 2021/22

1 August 2021 – 31 July 2022



Our children should grow up
in warmth, security
and pure nature. Heinz Hess, 1976

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FOREWORD



ANDREA HOMANN AND STEFAN MUES
CO-CEOs

The consistency with which hessnatur has lived and constantly advanced sustainability since its founding in 1976 inspires and drives us. That is why we are looking forward to shape and further develop this path as the new Co-CEOs.

Our vision is to be the most consistent and inspiring brand for sustainable fashion. The love for fashion and nature are the most important drivers for hessnatur. We are convinced that, in the long term, beautiful fashion and economic success can only be created in harmony with nature. Therefore, we have always been striving to find new solutions through innovations and to offer our customers an alternative to conventional fashion. Our innovations range from resource-saving processes and new sustainable fibers to our Innovations for Tomorrow Award. This attitude combined with our aspiration not only to meet the highest standards, but also to set new standards ourselves, are reflected in this year's Impact Report.

The report guides you through the most important sustainability topics of our last fiscal year. They are based on the overarching topics of people, planet, and our own commitment. We impressively demonstrate that standing still is not an option for us. We work hard every day to live up to our name as a fair fashion pioneer. And in doing so, we take further and decisive steps forward every year.

For a better tomorrow!

KRISTIN HECKMANN-KIPOUROS
Chief Sustainability Impact Officer

Images of the negative impacts of the fashion industry are circulating around the world – from mountains of fashion waste in the Atacama Desert to poor working conditions in factories and the massive pollution of our oceans by microplastics from synthetic clothing. Accompanied by record heat waves, floods, droughts, and a frightening reduction in biodiversity. This clearly shows that business as usual is not an option.

But what are the alternatives? How can we manage to stop this development or even turn it around? We at hessnatur have been dealing with these questions daily since our founding in 1976. Our goal is to create fashion in harmony with people and nature and to offer customers a real alternative.

We are a fair fashion pioneer. Our sustainability strategy is therefore an integral part of our corporate strategy. Our aspiration is not only to meet the highest standards, but to continue to move forward and set new standards through innovation. That's why we look very closely at our partners, products, and materials. We pay fair prices, work in partnership and on a long-term basis with our suppliers. We use sustainable natural fibers,




prohibit the use of harmful chemicals throughout the chain, and ensure that our processes are resource-saving.

Human rights. Fairness. Transparency. Social standards. Innovations. Natural fibers. Biodiversity. Climate protection. Circular economy. These are not buzzwords for us, they determine our daily work. But we can't change the world alone. Multi-stakeholder organizations such as the Fair Wear Foundation and close collaboration with other members is important for positive change. Another key step in the past year is our membership in Textile Exchange. We take part in several pilot projects to capture and measure impact. This includes our participation in Science Based Targets for Nature. We develop methodologies for capturing and calculating environmentally relevant parameters together with other international experts.

For the fiscal year 2022/2023, we focus on circularity. The starting point is our BetterRecycling collection, monomaterials, and biodegradable natural fibers. But that's not enough for us, so we're working on reverse supply chain solutions. We will start with a take-back service, comprehensive care and repair instructions, and the development of a second-hand platform.

Let's be the change!
Together for a better tomorrow!



67%

of our materials consist of only one fiber.
The best prerequisite for recycling textiles.

6.628 KILOMETRES

were walked by our employees during our
step challenge. 20 teams. 47 days. In sum, we
made it from Butzbach to Nepal. By foot only!

99,5%

of our fibers
are natural fibers.

95,31%

of our partners were audited or visited in 2021/2022
in 2021/2022 despite the pandemic.
We know 100% of our partners personally.

1 FACTS & FIGURES

19.040.840
SQUARE METERS

of earth were kept healthy through organic farming.
This equals an area of 2.667 soccer fields
with preserved soil fertility and higher level of biodiversity.

60,33%

of our production is done
in EU member states.

395.097 KILOGRAMS

of CO₂ emissions were reduced by only using
organic cotton. That's more than one flight from
Frankfurt to New York every day.

56%

of our fabrics are
produced in Europe.

12,8 TONS

of leftover cuttings and yarn scraps were given
a second life in denims, and jerseys, and woven
materials. We create new pieces from our own
production scraps.

34%

of our partners have been
working with us
more than 10 years.

2

beehives in our own garden
contribute to the preservation of nature.

922.052.677 LITERS

of water were saved by only using organic cotton.
The equivalent of 369 Olympic pools.

2 HIGHLIGHTS

2 HIGHLIGHTS 2021/22



Innovations for Tomorrow Award

In 2022, we launched our own and first sustainability award. Our next contribution for the

fashion industry of tomorrow. hessnatur, too, started out as a start-up in 1976. Now we decided to give something back and support start-ups which want to change the status quo of the fashion industry. Just like us. With our award, we support young companies that provide sustainable, innovative, and visionary solutions that change the textile and fashion industry from one of the most polluting industries of the world to the one leading the change. Because we are convinced: We can't save the world alone, but together we can lead the change! Our award rewards ideas and brave entrepreneurs who stand up for a better tomorrow.

60 applications, 13 nominees and five finalists later, our jury made a very close call and chose our three winners:

The three impact start-ups **EEDEN**, **LOVR** and **retraced** are active in the fields circularity, transparent supply chains, and vegan leather alternatives. The three winners received a prize money, and all five finalists received a start-up grant from the Impact Factory. They also have the chance to implement their innovative ideas with us. That accounts for other applicants, too, of course.



Awarding the IFTA to EEDEN, LOVR, and retraced at the Greentech Festival.



Coreva™

The future belongs to innovative companies. hessnatur has been committed to setting new sustainability standards in the fashion industry for over 45 years. We believe in progress instead of stagnation. We are not simply satisfied with what we got. We want to continue to break new ground. We do it for a better tomorrow for all of us.

Together with our Partner Candiani we developed a new level of sustainable Denim. It is not only super comfortable, but also completely natural and biodegradable. Why? It is made from organic cotton and the innovative and sustainable stretch yarn Coreva™. It is purely natural because the processed rubber is obtained from the rubber tree. This in combination with organic cotton and our high ecological standards throughout the entire manufacturing process makes our denim not only good to wear but also fully biodegradable.

Coreva™ decomposes completely after just six months on the compost without releasing harmful chemicals and microplastics. Our next step towards a circular economy. In this circular process, sustainable natural raw materials become fabrics, and these become garments that can be returned to nature thanks to their biodegradability. This is how we prevent textile waste and their negative effects on our planet.



BetterRecycling

We value natural resources and think in cycles. That is why we give our cut and thread scraps a second life. We create new favorite pieces from our own production scraps and contribute to a sustainable material cycle system. It is resource-saving and does not contain harmful chemicals.

For our BetterRecycling collection, we only use our own cutting and spinning residues, which we process with raw fibers into new, high-quality yarn. This results in new clothes made from organic cotton, fleece, denim, or merino wool.

So far, we've saved 12.8 tons. And we keep going!

Nature Shell

Outdoor functional clothing is en vogue. But often it is a burden for nature due to the use of plastic and harmful chemicals. We saw this a challenge and wanted to do better. So together with our partner we developed an organic and natural Nature Shell.

The innovation is made of organic cotton which is ultra-tightly woven with a special weaving technique. It is ecologically impregnated and provides full functionality.

Our Nature Shell won several prizes: the Bundespreis ecodesign in the category "product" and the German Brand Award 2022 in the category "excellent brands: fashion". **The Nature Shell Ripstop jacket with eco finish** won the Red Dot Design Award 2022 in the category "fashion design".



Sustainability Site

We published a new microsite with relevant sustainability content. This site is an important step to transport our sustainability performance to our customers. You find information about people, nature, and us – hessnatur. Topics that define us, that we do differently than others, that distinguish us. Have a look!

Certifications



In 2021/22, we are again certified according to Global Organic Textile Standard (GOTS) and offer a multitude of GOTS certified goods.



Additionally, most of our products are labelled with the "Green Button". The German certification aims to improve working conditions and environmental standards along textile supply chains.



We received the Leader Status at Fair Wear Foundation (FWF) again. A great acknowledgment of our work and that of our partners.

Podcast for a better tomorrow

For a better tomorrow we need to act, and we need to do it now.

In August 2021, we started our sustainability podcast FOR A BETTER TOMORROW in cooperation with ZEIT Studio. It illuminates ways into this future. The moderator Kristina Kara talks to people who are already living, acting, and doing business in a more sustainable way. They talk about their personal projects and their unswerving convictions – despite many doubters. Fashion is also on the agenda. As part of a global economic and production system, however, it is only one piece of the puzzle among many. That is why we are looking at many different impulses for a better tomorrow.

We talked to experts about fair trade, the future of work, a sustainable lifestyle, extinction rebellion, biodiversity, no plastic, future foods, sustainable finance, the future of fashion, beauty and self-acceptance as well as children who are our future.

You can listen to the podcast on [Spotify](#), [Apple Podcasts](#), and [Zeit Studio](#).



Beehives in the garden of hessnatur

Our own garden is home for two beehives. Eight employees take care of our bees. We are happy to be contributing to the protection of these fundamentally important insects. Not just globally, but also locally.

Pesticides in conventionally grown fields, general air pollution, and the difficult climate conditions

brought on by the climate crisis are taking their toll on bees. Since our founding, we have been working with great respect for the natural habitats of plants and animals. That is why we always try to source our natural fibers from controlled organic cultivation. We use natural and organic fertilizers. We cultivate in crop rotation to protect the soil. This preserves the habitat of countless insects and benefit the bees.



3 ABOUT HESSNATUR

3 ABOUT HESSNATUR

hessnatur is and has always been a pioneer. We have been working with natural materials for over 45 years. From the very beginning in 1976, we decided to go new ways. Our holistic approach respects people and nature equally. When manufacturing our products, we act in the interests of people, animals, and the environment. We focus on the economic, environmental, and social aspects of our work, making our business truly sustainable. We have already achieved so much in the past decades and strive to go much further. Day after day, and from field to wardrobe, we act responsibly:

- We save resources instead of exploiting them.
- We process our fabrics with great attention to detail and under fair working conditions.
- We strive to collect, recycle, and re-use left-over materials.

We offer sustainable fashion for women and men, outdoor clothing, home textiles, as well as babies' and children's clothing. Everything is made of premium-quality, exclusive and innovative natural materials. We are an e-commerce company also offering call and mail order. Additionally, we operate five stores in Butzbach, Dusseldorf, Frankfurt, Hamburg, and Munich.

3.1 OUR MISSION

hessnatur's founding idea was to produce clothing made of natural materials without using harmful chemicals. With this intention, we developed new standards for sustainability. At a time when fair fashion was still a foreign word. Today, we are Germany's most well-known sustainable fashion brand. We can proudly say: Sustainability has always been our mission, not just an afterthought. Because we have been doing it for the people and the planet since 1976.

We have been ahead of the curve long before sustainability made its way into fashion and textiles. And we still are today when it comes to fabrics and production.

After all, we're doing it for the world, not the word. Fashion. That's why we set and keep setting standards others are keen to take on.

- We offered the very first natural baby collection in the 1970s.
- We launched the first organic cotton project worldwide in 1991 – global pioneer work in Egypt.
- Social responsibility is essential for us. In 2005, we were the first German member of the Fair Wear Foundation. We are a supporter of the German Partnership for Sustainable Textiles since 2014, the "Green Button" (2018), the Supply Chain Act and initiator of the Fair Fashion Move.
- We stand for sustainable innovation and quality-crafted natural materials.
- We initiated projects with organic farmers directly in Hessen to reestablish old crop plants (Hessen-Leinen) and helped to save old sheep breeds (Rhönschaf) from distinction.
- We always strive to reach the next level of sustainable fashion. Thus, we have developed a new kind of denim (Coreva™), an organic Nature Shell, and our BetterRecycling.

OUR VISION is to be the most consistent and inspiring sustainable fashion and lifestyle brand.

OUR MISSION: We love fashion, and we love our planet, sustainability is our DNA. That's why we create contemporary fashion and lifestyle products – using natural materials. For people and nature.

For us, sustainability means no compromise. We make fashion that respects people and the environment while conserving and protecting resources. Fashion that takes responsibility for everyone involved. Also for the people who make it.

3.2 RESPONSIBILITY

Responsibility for our products, planet, and people is at the core of what we do. It once began with the need to find baby clothes made of natural fibers. And is has become a holistic business approach. It concerns all areas of our daily work. Sustainability is at the core of hessnatur.

We are committed to a responsible use of resources and the protection of biodiversity. Thus sustainability, durability, and circularity is essential for our product requirements. That's why we are continuously developing new production methods and innovations that move us forward on the path to becoming nature positive. Just think about our BetterRecycling concept, our denim innovation the plastic-free CorevaTM stretch denims or our natural Nature Shell products.



Only together with our partners we can bring our vision of sustainability to life.

Partnership as a fundamental principle

In our supply chain, we share the responsibility for our products with our partners. We choose partners who share our values and select them very carefully. Our partners are true experts in their respective fields, highly experienced in textile production and manufacturing. Our goal is always to build up long-term partnerships.

Only together with our partners we can bring our vision of sustainability to life. Close cooperation and long-term partnerships enable us to apply our social and environmental standards. Whenever working conditions or environmental standards need to be improved, we develop individual solutions together with our partners. That is how we achieve a lasting change. Personal relationships are key and helped to achieve innovation and further improvements in the year under review, also in complex topics such as overtime and social dialogue. Supporting our partners to improve social and environmental standards is one of the most important parts of our work. We inform, share examples of best practices, and develop individual solutions together.

3.3 ANIMAL WELFARE

Animal fibers such as wool are among the oldest natural materials people use for making clothes. We have worked with wool since the beginning, because we love high quality fibers, the performance of wool in specific and its many wonderful characteristics. That is why animal welfare is very important for us and an integral part of our requirements. We have defined strict standards for ourselves and our partners that ensure the animals' well-being.

The first step is to choose our partners. Before we work with suppliers and production facilities, we intensively check whether they have the same values and can implement our requirements. Transparency is important to us. We know our partners and are regularly on site. In addition, we work with independent organizations that support us and, for example, carry out factory visits and certifications.



With our Rhönschaf project we help to save an old sheep breed from distinction.

Second, our standard is based on the „5 Freedoms“ of the Farm Animal Welfare Committee (FAWC). This concept is internationally established as an evaluation criterion for animal welfare. Third, our additional criteria include:

- Whenever possible, we use animal fibers from controlled organic livestock farming. Their origin is controlled by independent certification organizations.
- Of course, we clearly exclude mulesing through our hessnatur guidelines. Every partner who works with us must acknowledge this in a legally binding manner and prove it with certificates.
- We source our high-quality fibers from selected, sustainable partners. For each material, we check throughout the textile chain whether the production meets our standards.

We believe: Fairness does not stop with people and nature. That's why animal welfare has always played a crucial role in how we work.

III THE 5 FREEDOMS

- **1ST FREEDOM:** The animals have ready access to fresh water and a diet to maintain full health and vigor.
- **2ND FREEDOM:** The animals are provided with an appropriate environment including shelter and a comfortable resting area.
- **3RD FREEDOM:** The animals' health is maintained through preventive measures. Sick and injured animals are cared for by appropriate treatment.
- **4TH FREEDOM:** Stress and fear are avoided through good handling of the animals.
- **5TH FREEDOM:** The animals can exercise their normal behavior, e.g., by having sufficient space, not being tethered and by being outside.

3.4 ENGAGING WITH OTHERS

To drive the change, we strongly believe in collaboration, sharing expertise and teamwork with other mission driven and front-running partners, organizations, and brands. Therefore, we are member of:

- Fair Wear Foundation,
- Textile Exchange,
- Bundesverband Nachhaltige Wirtschaft (BNW),
- Science Based Targets for Nature,
- German Partnership of Sustainable Textiles,
- and we are certified by GOTS and the Green Button.

In addition, we support the “Good Clothes, Fair Pay” campaign. A European Citizens’ initiative for living wages in the fashion supply chain, which demands legislation that helps achieve fair pay for textile and garment workers around the world. Together with our partners, we actively contribute to the sustainable transformation of the textile industry. Because we believe that we can achieve a great deal by joining forces and sharing knowledge.

The Neonyt as a global hub for fashion, innovation and sustainability has already been our partner for first Fair Fashion Move in 2018. In 2022, hessnatur was present at Neonyt’s Prepeek to exchange industry news in numerous panels and talks, get fresh impulses in conversation with other professionals and exclusively present our latest collections.

Given our special approach, we are frequently asked to participate in public events such as panel discussions or experts’ forums. In presentations, discussions or interviews we have the possibility to share our experiences in responsible innovation and sustainable development. The audiences consist for example of industry experts, customers, or students.

The hessnatur foundation

Our foundation develops practical solutions for a sustainable economy together with external partners, companies, and scientific institutions. The foundation brings projects with business partners and experts to life. We work with the foundation on current topics and different projects.

Raising public awareness for sustainability is also in the foundation’s focus. The sustainability experts organize events or seminars. They also address responsible action in the textiles and fashion industry at presentations, panel discussions or trainings. Hereby, they bring their specialized knowledge to a wide audience. Cooperation with various colleges or academies is another important field of work as a special focus lies on the support of young talents and the integration of sustainability topics in their education.

3.5 TRANSPARENCY

hessnatur stands for transparency from the cultivation of our materials to the clothes’ hanger.

We also strive to be an international role model for labor and social standards. Therefore, we are regularly certified by non-profit and government organizations.

After all, transparency and sustainability go hand in hand. We believe that transparent communication is essential. This refers to our customers, suppliers, employees, the public, and other stakeholders alike. We want to enhance the understanding of fair fashion. We want people to appreciate the work and resources that went into every single product. That is why we share detailed information on every article with our customers such as the country of origin of the fibers, the manufacturing country, or the ecological footprint of our articles.

Besides, we believe that transparent communication to customers and other stakeholders is an important basis to enhance an understanding of fair fashion and appreciation of the work and resources that went into every single product. Hen-

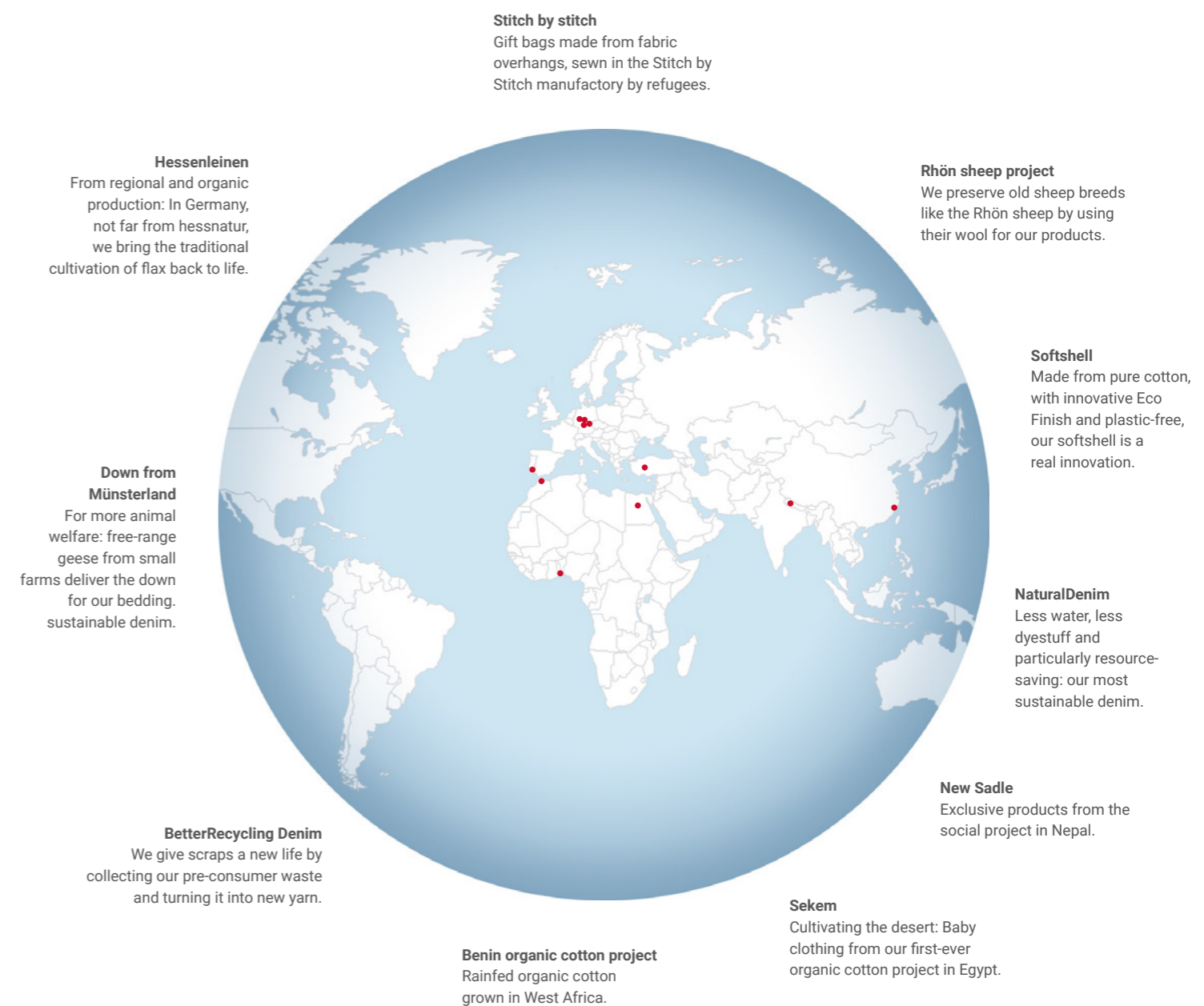
ce, we provide comprehensive information, explanations, and insights on sustainability topics via different communication channels – such as our online shop, company website, online magazine as well as our social media channels and newsletter.

Information about the environmental footprint of our articles can be found in our shop. For all the cotton products, we show the environmental savings in comparison to conventional cotton.

3.6 OUR PROJECTS

As part of our holistic approach, we promote various sustainability initiatives in different countries. Wherever our partners are located. With our projects, we bring new approaches to sustainable business into practice and support good ideas worldwide.

For more information about our projects, please look at our [magazine](#).



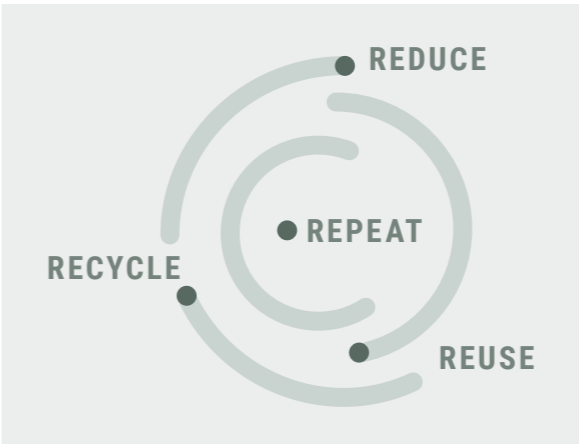


4 PLANET

4 PLANET

We want to rethink sustainability. That’s why climate-neutral is not enough for us. We want more. We want to become nature-positive throughout our whole value chain. We think that the climate crisis and the loss of biodiversity are equally important – that’s why we’re tackling both problems directly. To achieve this goal, we take a close look at every aspect of our supply chain and align the entire textile chain with a nature-positive future.

4.1 CIRCULARITY



Mankind uses more resources than our earth can replicate. That is why we must deal consciously and responsibly with the resources we need to produce our articles. This refers to fibers, dyes, and ingredients as well as water and energy. Therefore, sustainability, durability, and recyclability are fundamental requirements for our products. Because we always try to operate within the environmental limits of our planet.

What we do

We have always been strongly committed to creating fashion in harmony with people and nature. To protect the soils used by hessnatur and keep them fertile and productive for future generations, we use environmentally friendly cultivation and grazing methods. We use organic fertilizers and fight pests with their natural enemies to protect biodiversity and preserve existing ecosystems.

In the last business year, through the consistent use of organic cotton alone, we have achieved the reduction of CO₂ emissions by almost 400.000 kilograms, saved over 900 million liters of water and left behind more than 19 million square meters of healthy earth.

But we don’t just look at the origin, we also look at the end of life of our products, recyclability, and biodegradability. Our natural fibers are generally biodegradable. With a share of 99.5 percent, they make up practically all our goods. Only in a small part of our items we add spandex to increase the functionality and durability of the items.

A total of 67 percent of our materials consist of only one fiber. For example, pure organic cotton or virgin wool. That is the best prerequisite for recycling textiles and production waste by type.

Circularity in practice: Our BetterRecycling Concept

Our BetterRecycling collection is a symbol of sustainability in action. We collect yarn and cuttings left over from our own productions and turn them into something new. We create casual organic sweats, functional merino knits, modern accessories and even shoes – with a recycled content of up to 30 percent. Because we know that the planet’s resources are finite.

It is a real innovation because we manufacture products from recycled production residues. It is an important contribution to conserving resources. At the same time, we meet our high-quality standards. Because we also know exactly where the high-quality recycled materials come from.

Resources are precious. That’s why we have always made sure that we have as little waste as possible in our production. Nevertheless, it is unavoidable that some production steps produce excess cuttings of our valuable natural materials. We now have elaborate processes for reprocessing and recycling in place.

For each model, we know exactly where the materials come from. That is a crucial condition for meeting our high transparency and quality standards. Since this is not possible with recycled consumer waste such as old clothes, we rely exclusively on so-called pre-consumer waste, our production leftovers, for our products. We therefore turn our own, unavoidable spinning re-

sidues back into fibers and mix them with new raw fibers. That’s how we know that our Better-Recycling garments contain no harmful chemicals.

4.2 OUR ENVIRONMENTAL STANDARDS

We have always been focusing on developing new fabrics and innovating with textile fibers. We started with pure natural materials and continued with projects for organic fiber cultivation. Today, the entire textile chain is subject to the highest environmental standards – from obtaining raw materials to the shipment of the final products. Our standards are defined in guidelines which we developed in close cooperation with external experts. The hessnatur quality guidelines extend far beyond what is legally required. Compliance with our guidelines is monitored, documented, and regularly reviewed by our experts as part of the environmental monitoring system. Our environmental and social requirements are closely connected. This already starts with the fiber cultivation. The strict guidelines for certified organic farming rule out the use of pesticides and additional harmful chemicals. Natural pest control and fertilization retain soil fertility. Excluding these harmful substances has not only a highly positive effect on soil fertility and biodiversity, but it also has a positive effect on the farmers’ health.

III OVERVIEW OF HESSNATUR’S QUALITY GUIDELINES

Our requirements apply to the entire production chain – from raw materials to the finished product. They include:

- Sustainable raw materials, preferably natural fibers from certified organic cultivation or certified organic animal husbandry.
- No use of auxiliaries, substances, materials and manufactural processes that are detrimental to people or the environment.
- Application of resource-efficient and sustainable production methods.
- Compliance with strict threshold limits and regular testing.
- Testing in cooperation with independent external test institutes.
- In-house quality control of physical and environmental requirements.
- Monitoring, evaluation and documentation of the hessnatur requirements.
- Independent external audit.



Excluding harmful substances has not only a highly positive effect on soil fertility and biodiversity, but also has a positive effect on the farmers’ health.

III OUR QUALITY GUIDELINES IN PRACTICE: NATURE SOFTSHELL



- Outdoor functional clothing is in vogue. However, this trend also leads to increased use of per- and poly-fluorinated chemicals (PFCs) and plastics in conventional outdoor clothing. Therefore hessnatur developed a softshell that does not contain problematic substances such as PFCs and works with environmentally harmless and renewable resources.
- Our softshell relies on materials from nature. The main material with 98% is organic cotton. For better functionality, 2% spandex is added. The spandex is made in Germany and monitored with the hessnatur guideline. The partial lining is made of 100% organic cotton.
- Overall, the softshell saves 91% water in cultivation compared to conventional cotton. In the production of organic cotton, 46% less CO₂ is emitted and 70% less soil pollution is caused.
- It has a special, water-repellent weave that produces a dense fabric surface. Its Eco-Finish has a wind-repellent and water-beading effect. Hereby, we conserve resources while maintaining high performance.
- The softshell is also free of PFCs as well as heavy metals, synthetic resins, and chemical finishing throughout the entire process.
- Our Nature Softshell won several prizes: the Bundespreis ecodesign in the category "product" and the German Brand Award 2022 in the category "excellent brands: fashion". The Nature Shell Ripstop jacket with eco finish also won the Red Dot Design Award 2022 in the category "fashion design".

The farmers are not exposed to harmful substances in organic farming. This ensures a subsistence base for farmers' families over the long-term. The preferred use of materials from certified organic cultivation thus creates the foundation for significantly improved living conditions for the farmers. Our environmental standards also have a positive effect on occupational safety and workers' health in production sites along the entire textile chain. Auxiliary materials used in conventional textile production may be harmful to the health of people who work with them. Workers are often exposed to toxic, mutagenic, carcinogenic, or other substances that are harmful to health through skin contact or their presence in the air without being aware of the possible consequences. These substances may also enter the body because contaminated wastewater is being disposed in rivers, ground water and soil and ends up in our food chain. Our guideline prohibits the use of harmful substances so that workers as well as nature are protected.

4.3 CLIMATE NEUTRAL OPERATION

To protect our planet and our climate, we must live in harmony with nature. Therefore, we generate as little CO₂ as possible and take all necessary measures to reduce our emissions. Only the remaining emissions which we are not able to avoid yet is being offset with myclimate. We officially achieved the status carbon neutrality for our operations again. We have continuously reduced our CO₂ emissions with numerous measures.

Offsetting the remaining emissions

To become a climate-neutral operation, we have calculated our CO₂ footprint together with our partner myclimate and offset the remaining emissions. We support a selected project in Mongolia that is certified with the Plan Vivo label. This is the oldest standard for certifying carbon offset projects in the land use sector. Reforestation and forest use projects receive the label if they meet



Bike to work for less CO₂.

||| **MEASURES OF CONTINUOUSLY
REDUCING OUR CO₂ EMISSIONS**

GENUINE GREEN ELECTRICITY: For less CO₂.

Green electricity protects the climate. That's why the electricity at our headquarters in Butzbach comes exclusively from sustainable energy sources. This way, we save 95% greenhouse gas emissions compared to electricity from conventional generation.

SUSTAINABLE PACKAGING: For less CO₂.

Less is more. This also applies to our packaging, which helps us save CO₂. For example, our shipping cartons are made of 80% recycled material and are 100% recyclable.

We also take care to conserve resources when packaging each product: By packaging over 75% of all items only in a band made of recycled paper.

CLIMATE-NEUTRAL SHIPPING: For less CO₂.

Fast, personal, climate-neutral: Since January 2021, the shipping of our fair fashion has been CO₂-neutral. We offset the CO₂ emissions generated in the process. This applies to all parcels and catalogues we send out.

BIKE TO WORK: For less CO₂.

We want to promote an active and green commute to work. We introduced bike to work. The goal is to save emissions, gain miles, and burn calories. The mission started in May. So far, our employees covered more than 4.500 kilometers by bike. And we keep going! To facilitate new ways of commuting, we offer bike leasing.

If you must take the car to work, we offer charging stations for e-cars at our headquarter in Butzbach – for customers and employees.

the highest requirements. Still, our motto is always: Reducing before offsetting.

The aim of the project is to restore the ecosystem and CO₂ uptake in the predominantly degraded pastureland. For this, a total of 100 pastoralist households are actively protecting the climate in Mongolia by working towards improved land and herd management. They also protect important wildlife species and habitats. The nomads receive alternative sources of income in the form of direct payments in return for their contribution to CO₂ reduction and biodiversity conservation. The project supports several Sustainable Development Goals (SDGs):

- Nomads are trained in sustainable pasture management, tree planting, community production, and marketing (SDG 4 Education).
- Three wells have been dug to improve water supply (SDG 6 clean water).
- 20,000 tons of CO₂ are sequestered annually (SDG 13 climate action).
- A tree nursery was established, and 200 seedlings planted in forest areas (SDG 15 Life on land).

Earth Overshoot Day / 100 Days of Possibilities



The global fashion industry is a major driver of the overshoot. Therefore we supported the Earth Overshoot Days [100 Days of Possibility initiative](#). The initiative highlights proven and scalable solutions. They help balance humanity's ecological footprint with biological resources and sustainably regenerate the planet's natural ecosystems. We want to help to move the date. That is why we support the initiative by demonstrating scalable solutions for the fashion industry. We contributed to the topics [organic natural fibres](#) and [nature positivity](#).



5 PEOPLE

Sustainable and fair: when manufacturing our products, we act in the interest of people, animals, and the environment. Acting, trading, and cooperating in a fair way is possible and to our understanding indispensable. It is a core of our credo because fashion must take responsibility – also for the people who manufacture it. The COVID-pandemic has proved, again, that collaboration and solidarity is of great importance.

5.1 FAIR PRODUCTION



Our partners stand for high quality but also safe and healthy working conditions.

For fair manufacturing processes, we adopted the requirements for socially responsible production, as defined in the FWF Code of Labour Practices. The eight core labour standards are based on the conventions of the International Labour Organization (ILO) and the UN's Declaration on Human Rights. They expressly regulate working conditions at our production sites.

Our social standards and legal requirements

Our social standards address many points that are also covered by local legislation in production countries. However, the rules do not always coincide with each other. In all cases where differences arise between our social standards and local legislation, the stricter rule has priority.

Local legislation may also conflict with our social standards. For example, there are countries in which trade union freedom is limited by law. Working together with FWF, we try to find alter-

natives and test new approaches in such countries. The FWF "Worker Education Pro-gramme" (WEP) shows how this can be done: Trained by experts from FWF, workers are informed about their rights and learn about methods for asserting these rights, e.g., in cases where trade union freedom is restricted. Establishing an in-house complaint system also promotes dialogue between workers and management.

Our focal point: manufacturing

Our work on social standards has a clear focal point: the production steps after material production, in our case this usually refers to sewing. In contrast to the preliminary production stages such as spinning, weaving, or dyeing, sewing has hardly been automated to date. A lot of manual work is needed, often subject to great time and cost pressure - facts that often cause poor working conditions. Therefore, hessnatur's monitoring concentrates on factories that perform production steps after fabric manufacturing in particular: cutting and sewing, but also washing of ready-made clothing.

Our cooperation with Fair Wear Foundation

Fair Wear Foundation (FWF) is an international organization headquartered in the Netherlands. Its aims to improve working conditions at clothing manufacturers and to promote collective social responsibility. Companies that join FWF commit to implement and monitor social standards at their production sites. As the first German brand, we joined FWF in 2005.

THE WORK PRINCIPLES OF FWF

- Brands and producers share the work of improving social standards.
- Labour standards conform to the widely accepted ILO conventions and the UN's Universal Declaration of Human Rights.
- Implementing the standards is seen as a process that may take many years.
- Local entities are included in auditing and corrective measures.
- Implementation of the Code of Labour Practices on the part of members is independently reviewed ("external assessment" or "verification").

OUR SOCIAL STANDARDS



1. EMPLOYMENT IS FREELY CHOSEN

There shall be no use of forced, including bonded or prison labour (ILO Conventions 29 and 105).



2. THERE IS NO DISCRIMINATION IN EMPLOYMENT

Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).



3. NO EXPLOITATION OF CHILD LABOUR

There shall be no use of child labour. The age for admission to employment „shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years“ (ILO Convention 138). „There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals.“ (ILO Convention 182).



4. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

The right of all workers to form and join trade unions and bargain collectively shall be recognized (ILO Conventions 87 and 98). The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions (ILO Convention 135 and Recommendation 143).



5. PAYMENT OF A LIVING WAGE

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic



6. NO EXCESSIVE WORKING HOURS

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate (ILO Convention 1).



7. SAFE AND HEALTHY WORKING CONDITIONS

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.



8. LEGALLY-BINDING EMPLOYMENT RELATIONSHIP

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

THE TEXTILE CHAIN USING A T-SHIRT AS EXAMPLE



3-5 High degree of automation and little manual work / 6 Low degree of automation and a lot of manual work



The FWF also conducts audits at factories to assess the current situations and define areas where improvements are needed. In addition, they offer trainings on social standards and their implementation to workers and the factory managements as part of the FWF Worker Education Programme (WEP). A neutral complaint system of the FWF enables workers to speak with knowledgeable local contact persons in the event of problems.

The commitment to the FWF Code of Labour Practices is not only a lip service but the FWF audits all member brands. hessnatur, too, is monitored annually. The last Brand Performance Check confirmed our "leader" status at the FWF,

attesting our great efforts for social standards in our supply chain.

FWF is a multi-stakeholder organization meaning that all groups involved in clothing manufacturing are represented as members: non-governmental organizations (NGOs), labor unions, trade associations, manufacturers, and retailers. This ensures the broadest possible participation of all stakeholders in the process of improving working conditions. In addition, implementation of social standards at German members is supported by a national, so-called multi-stakeholder committee, to integrate German advocacy groups. The Clean Clothes Campaign (CCC), IG Metall and other German member companies are represented in addition to FWF and us.

5.2 CHOOSING PRODUCTION COUNTRIES AND PARTNERS

Our purchasing strategy

Our purchasing strategy is the base for integrating our high social and environmental standards into purchasing decisions. It is defined involving the purchasing and Corporate Social Responsibility (CSR) teams on equal terms, together with our management board.

We practice good purchasing practices which allow our partners to fulfil our standards. This implies close cooperation with our suppliers on eye-level, fair prices, and the agreement on reasonable lead times to prevent an overload of production capacities that could lead to overtime. Problems are solved together. Continuous exchange and coordination make it possible to find out about possibilities and challenges at an early stage and to react accordingly.

Countries

To always be in line with our highest social and environmental standards, we rely on a close cooperation with our partners, who are true experts in their fields. In that light, we carefully assess where our production shall take place. The result is a clear focus on production in Europe as

well as on countries and regions representing the source of special materials and/or center of expertise. For example, silk, hemp, and cashmere come from China and the highest expertise in manufacturing these fibers can be found there, too.

Selecting new partners

We strive to establish long-term partnerships. But sometimes it is necessary to build a partnership with a new manufacturer. New partners are selected with great care and need to be approved by our CSR team. We assess the ability of each production site to satisfy our qualitative, environmental, and social requirements. If the approval of our CSR team is given, the new partners must sign our comprehensive supplier guideline where all our requirements – be they environmental criteria, delivery requirements or social standards – are defined in detail. No signature, no cooperation!

In addition, there are some countries or regions where we consider the national and legal framework conditions as highly divergent to our social standards so that there are very high risks regarding the compliance of workers' rights. For these countries, cooperation shall only be started in combination with a social project that ensures high social standards.



||| NUMBER OF PRODUCTION SITES PER COUNTRY, AS OF 31/07/2022

EU countries	Number of production sites	Non-EU countries	Number of production sites
Austria	2	Bosnia	2
Bulgaria	1	China	5
Croatia	3	Egypt	1
Czech Republic	1	Mongolia	1
Germany	19	Nepal	2
Greece	1	North Macedonia	5
Hungary	7	Peru	4
Italy	4	Thailand	2
Lithuania	9	Tunisia	2
Poland	2	Turkey	4
Portugal	16	Ukraine	1
Romania	7	Vietnam	1
Slovakia	1		
Spain	2		
Total	105	Total	30

5.3 AGENCIES, SUPPLIERS AND PRODUCTION SITES – FACTS & FIGURES

Strong, long-term partnerships are the basis for our collaboration with agencies, suppliers, and production sites: The majority of the 105 production sites have been our partners for at least five years. With 34 percent of them, we have co-operated for a period of even ten years or more. This is a fundamental part of our philosophy. Our manufacturers are generally true specialists for processing specific fibers such as hemp or for specific product groups: Knitted jumpers for example, hosiery or jackets and coats. A high degree of environmental and manufacturing expertise is built up over many years. Therefore, skill and quality are more important for us than the lowest price.

Agencies

In the year under review, we cooperated with local agencies in Portugal, Turkey, and Thailand. They organize and supervise production on our behalf in the sourcing countries and are important points of contact for the suppliers. In addition, the agents work particularly close with our relevant employees from purchasing, quality assurance, and CSR.

Suppliers

Suppliers deliver ready-for-sale products and bring them to account at hessnatur. In many cases, our suppliers manufacture the finished goods themselves in their own companies. In other cases, manufacturing is done by external partners, which sell their products or services to the supplier. Many of our suppliers are also performing earlier production stages, such as fabric production or spinning in-house.

Production Sites

Production sites or manufacturers are the companies who manufacture our products; in our supply chain this usually refers to sewing. The following overviews show the number of manufacturers per country and the share of our main sourcing countries in our purchasing value. Figures are based on production sites with purchasing value in the year under review. With Germany and Lithuania as the two countries with highest purchasing value, 60 percent of our total purchasing value was paid to production sites in the European Union.

5.4 OUR MONITORING SYSTEM

To ensure that our social standards are kept and that potential problems are solved, we developed a monitoring system for social standards. It is adapted to requirements, recommendations, and policies of FWF. This means:

- We ensure that social standards at our production sites are implemented and monitored.
- FWF reviews our work and conducts audits at the production sites on our behalf.
- A neutral complaint desk offers workers in the production sites additional security.

The overview below summarizes the relationships between the core elements of the monitoring system for social standards. ant points of contact for the suppliers. In addition, the agents work particularly close with our relevant employees from purchasing, quality assurance, and CSR.

Monitoring in low-risk and high-risk situations

Intensity and focus of monitoring in our production sites depend on the individual production countries. FWF distinguishes between low-risk countries and high-risk countries. In this context, risk relates to compliance with local law and international standards. In the so-called low-risk countries, compliance with laws and standards is generally well regulated and monitored by legislative authorities. These countries include the member states of the European Union except for Bulgaria and Romania.

In high-risk countries by contrast, there is often a discrepancy between existing laws and standards and compliance with them. Accordingly, there is an increased need to work on social standards in the respective production sites and FWF defines different monitoring requirements for low-risk and high-risk countries.

||| CORE ELEMENTS OF THE MONITORING SYSTEM FOR SOCIAL STANDARDS



III MONITORING THRESHOLD IN FY 2021/22

Figure	Low-risk countries	High-risk countries	Total
Amount of production sites	63	42	105
Percent of FOB	51,65%	48,35%	100%
Percent of FOB counted towards the monitoring threshold	50,35%	42,75%	93,10%



One of our regular visits to our production partners - here in Turkey.

The table above provides an overview of our production sites in high- and low-risk countries that received payments for delivered goods during the year under review (those payments are called purchase value or freight on board, "FOB"). This table shows that we clearly overfulfilled the requirements for the percentage of production sites under monitoring of the FWF for achieving the highest category "Leader": To be ranked as a "Leader", at least 90 percent of the production sites need to be monitored. This requirement was paused but even during these challenging times hessnatur monitored 93,10 percent in the year under review. Due to the travel restrictions, some planned activities could not take place but are planned to take place as soon as possible.

The pandemic made increased monitoring necessary while physical visits were not possible. We addressed this challenge through close monitoring of each country's situation, increased digital communication such as digital factory tours, regular calls as well as gathering of necessary information on factory level.

Situation and measures in low-risk countries

A comparatively large share of our production takes place in European low-risk countries. This supports short ways within our supply chain. It also sustains tradition and know-how in nearby countries. We also factor in social standard aspects: Wages and living standards in low-risk countries are generally higher than in high-risk countries. Additionally, better (legal) mechanisms for social security exist. Still, we pay close attention to the social standards in these production sites. Companies in low-risk countries must also confirm our Code of Labour Practices and provide detailed information regarding social standards on a regular basis. They are required to post the FWF Worker Info Sheet in local language.

Strong partnerships with many of our production sites grew through long-term cooperation. We know our partners personally and meet them on multiple occasions. Due to our high environmental standards many of our production sites are certified according to GOTS. The standard includes environmental and social criteria.

While the risk for labour rights violations is usually lower in low-risk countries, the pandemic poses specific risks to workers. These increased risks were closely followed up through constant gathering of necessary information as well as regular exchange with our partners.

III EVALUATION SCORES

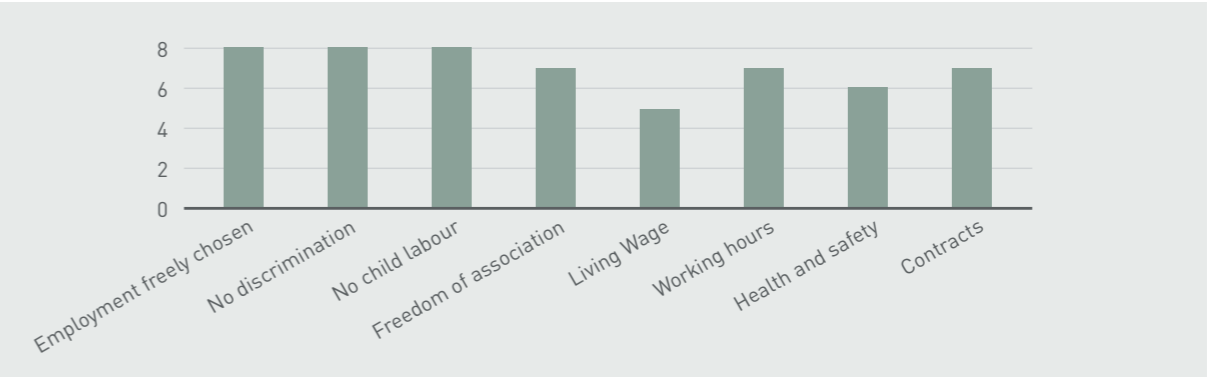
- 8 good results
- 6 deficiencies that may be improved quickly / with relative ease
- 4 deficiencies that may be improved over the medium to long-term / with greater difficulty
- 2 production sites refuse to remedy deficiencies
- 0 no willingness to cooperate / supplier refuses dialogue

5.5 MONITORING IN THE YEAR UNDER REVIEW

III BOSNIA

Production sites	Audits	Implementation status
2	2	56 %

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



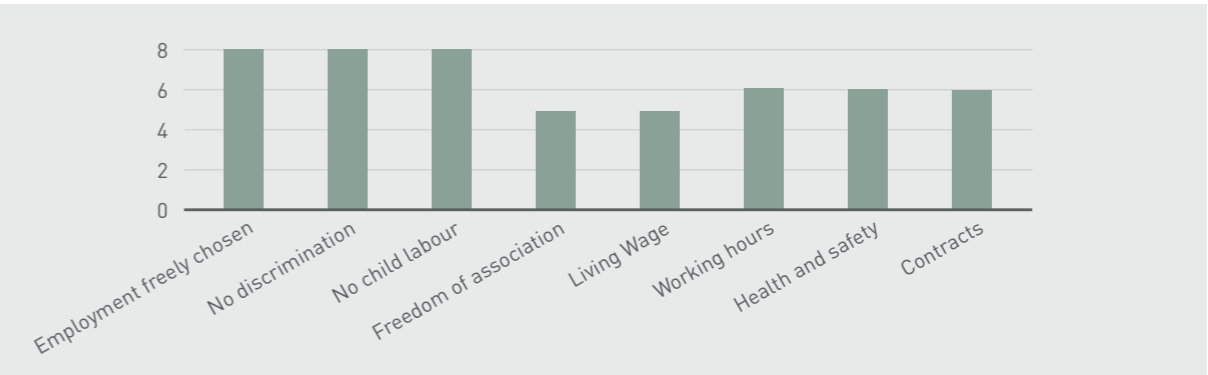
In **Bosnia**, we work with two very long-term partners and one of them completed a social audit in the year under review. The overall result was good. Most findings had to either do with incomplete documentation of policies and trainings. The factory

is currently in the process of rebuilding the sanitary facilities to better meet worker's needs. In the other factory a previous audit had shown that workers were not fully aware of their rights. To change that we conducted a basic training for workers.

III BULGARIA

Production sites	Audits	Implementation status
1	1	45 %

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



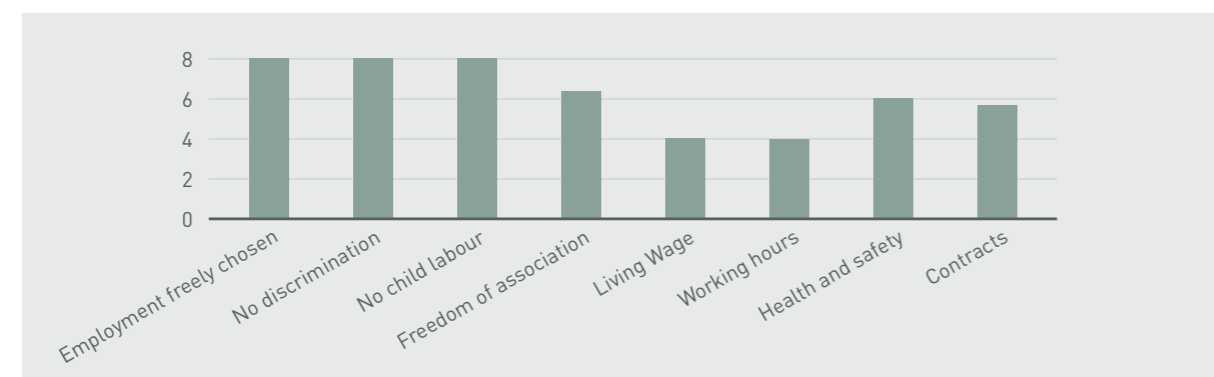
Our **Bulgarian** partner was audited in summer 2021 and the audit report found that previously detected findings in health and safety were mostly improved. Regarding documentation, further improvements can be made, and these findings

have been addressed with the factory. During a visit in May 2022, we were able to further discuss improvements and how we plan to raise wages the next few years.

CHINA

Production sites	Audits	Implementation status
5	4	61 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



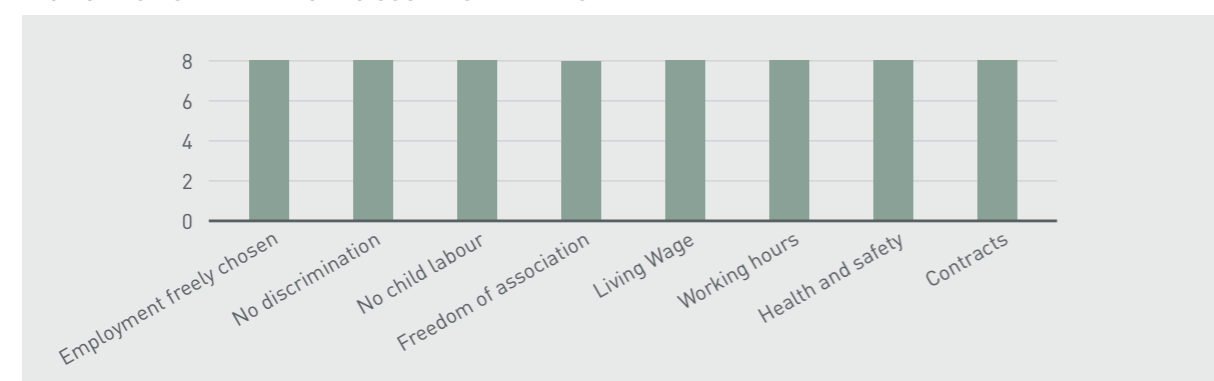
Our partners in **China** manufacture a variety of articles for us. Many are experts for specific natural fibers such as silk, hemp, or cashmere. Many special materials and manufacturing techniques have been continuously improved with our Chinese partners for several years. Most of our Chinese partners were audited several times as

we have long-term partnerships with them – the most recent audits show that significant improvements have already been implemented since the beginning of our cooperation. In the year under review two audits were conducted and both audits showed improvements compared to previous audits.

EGYPT

Production sites	Audits	Implementation status
1	1	100 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



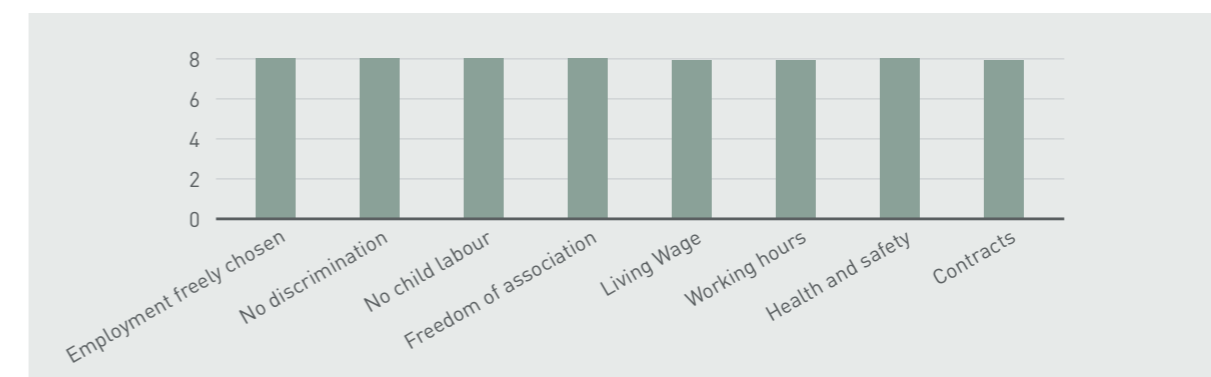
Our partner SEKEM in **Egypt** is a worldwide leading social company. The start of our cooperation dates back several centuries when our founder Heinz Hess initiated the first organic

cotton in Demeter quality to be harvested. The audit conducted at SEKEM acknowledged good working conditions and no major findings were detected.

ITALY

Production sites	Audits	Implementation status
4	1	57 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



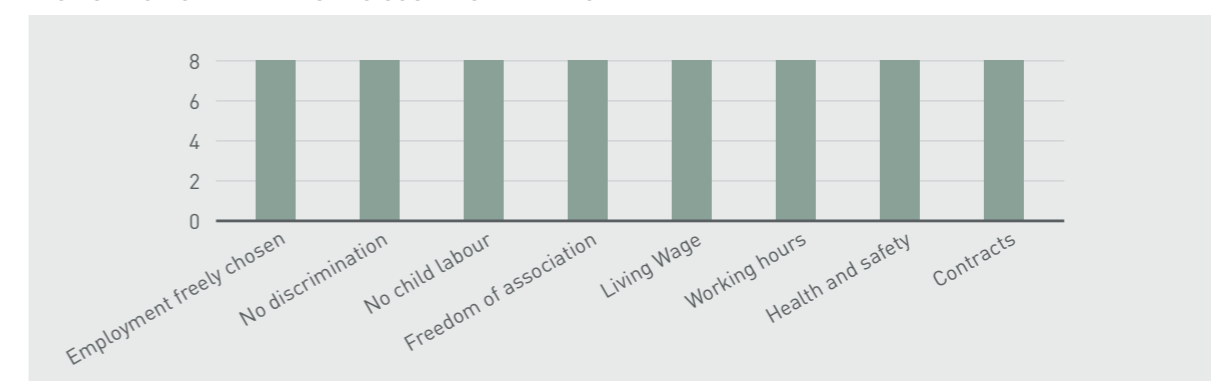
Italy was recently classified as a high-risk country by FWF. Therefore, we assessed where we prioritize auditing, and one audit took place. With two partners we mutually agreed to end the business relationship. It did not have significant impact on our partners as our share of business was very small.

The fourth facility is a small one-person manufacturer. The completed audit showed very good results and most findings were regarding management system, specifically asking for a more detailed definition and documentation of processes. No major findings were detected.

MONGOLIA

Production sites	Audits	Implementation status
1	0	58 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



In **Mongolia**, knitted articles made of Yak wool are manufactured for us. The past audit showed need for improvement in the areas of awareness for social standards on the part of the workers

and the management, legal security and some issues regarding health and safety. Workers were updated on social standards and an internal grievance mechanism was established.

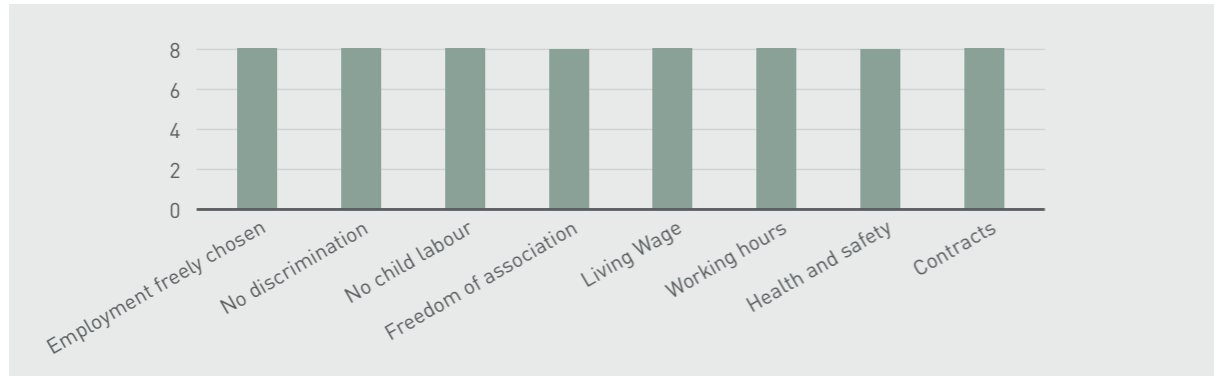


We have been working with Nepalese artisans for over 15 years.

||| NEPAL

Production sites	Audits	Implementation status
2	0	100 %

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



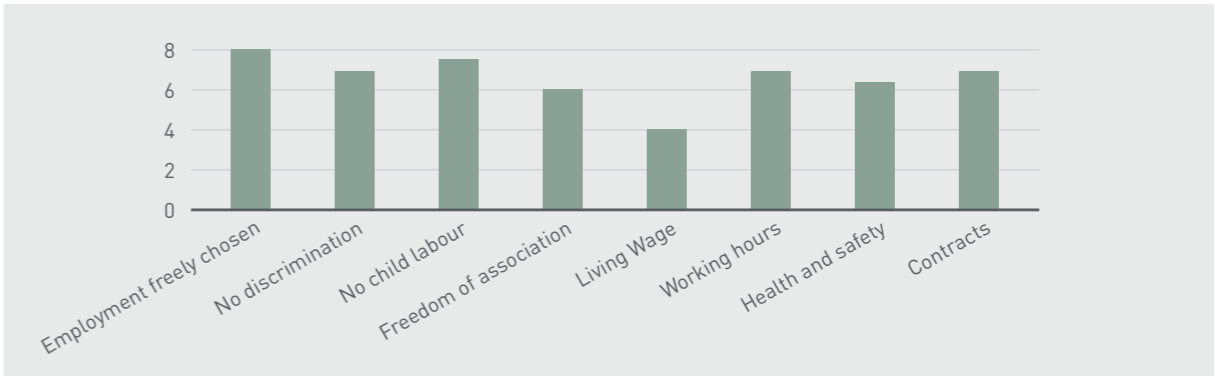
In **Nepal**, our partner produces accessories. The workshops are part of a project aiming at the reintegration of people that suffered from leprosy. New SADLE is member of the World Fair Trade Organization (WFTO) and was thus audited in line with the WFTO requirements. Above charts shows 0 audits has the most recent audit is older than three years. The audit confirmed good working conditions so that no mandatory improvements were required. But suggestions

were given and have been fully implemented. As in the previous financial year Nepal was forced to go into strict lockdowns to stop the spread of Covid-19. New SADLE continued to provide food, medication, and other necessities to people being restricted in movement through the lockdowns. We can continue our support through prepayments and additional contributions to ensure the workers well-being

||| NORTH MACEDONIA

Production sites	Audits	Implementation status
5	5	71%

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



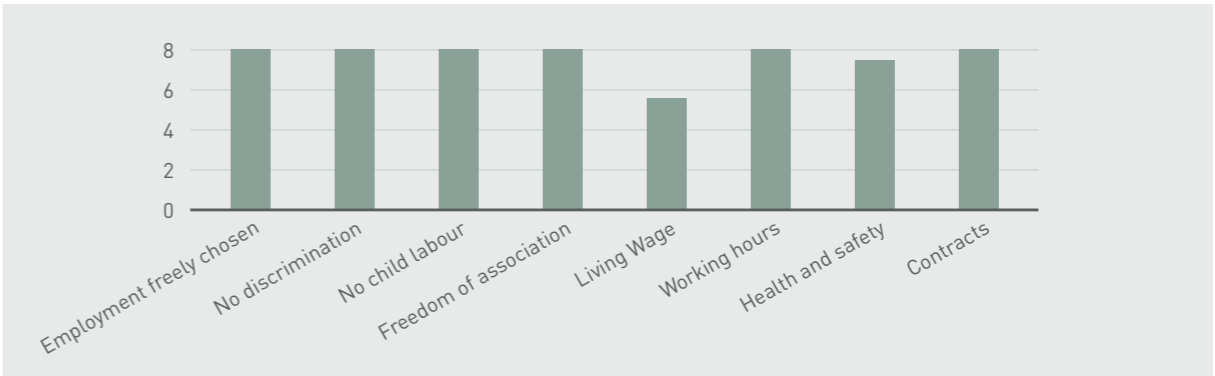
Our **North Macedonian** production sites manufacture jersey and woven articles. Only one audit took place in the year under review, but four audit reports were made available during the year under review. Findings were mainly made regarding living wages and freedom of association, while also having minor findings in discrimination, wor-

king hours, health and safety and contracts. Factories showed a high rate of implementation of corrective actions, which included for example electing worker representatives. Four production facilities were visited during the year under review and more complicated topics like raising wage levels could be discussed.

||| PERU

Production sites	Audits	Implementation status
4	3	100%

||| SITUATION OF ADHERENCE TO SOCIAL STANDARDS



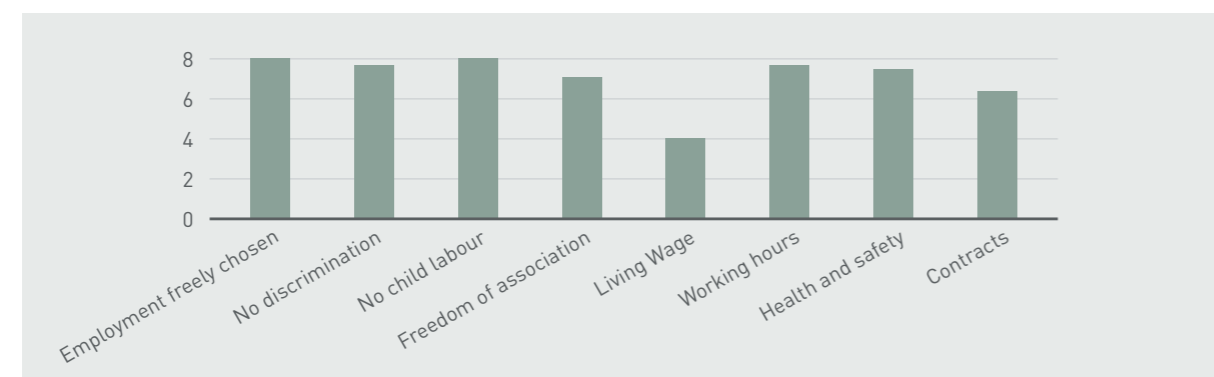
Our production sites in **Peru** manufacture wool articles. All of them are longstanding partners, partly doing production for us for more than 16 years. Several audits and visits took place du-

ring these long-term partnerships. Most findings were made regarding living wages and health and safety, but all these findings were corrected already.

ROMANIA

Production sites	Audits	Implementation status
7	7	63 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



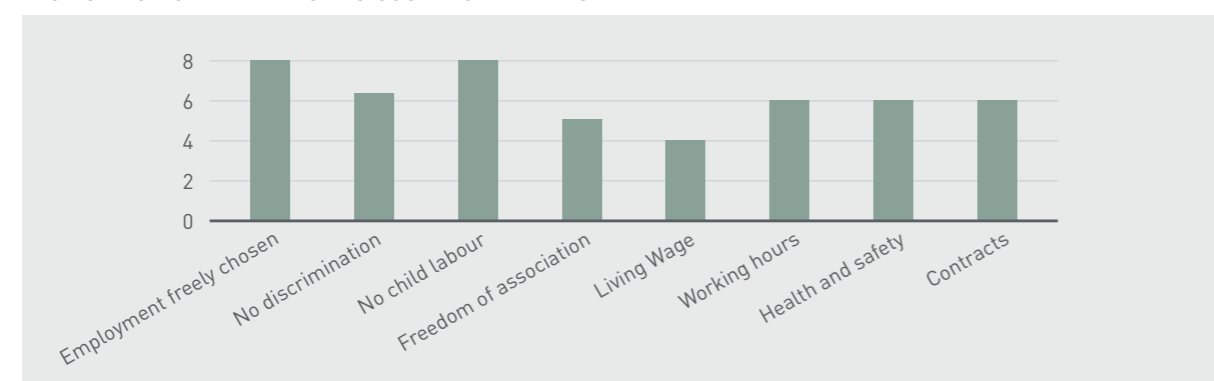
Underwear, shoes, and knitted products are examples of articles manufactured by our partners in **Romania**. The conducted audits in the past three years mainly show issues regarding living wages as well as health and safety.

In the year under review, three audits took place and showed areas of improvement in freedom of association, health and safety, living wages and contracts. We cooperated with other brands to discuss corrective actions with the factories.

THAILAND

Production sites	Audits	Implementation status
2	2	50 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partners in **Thailand** are located near Bangkok and have been working with us for more than ten years. The latest audits of both Thai production sites confirmed that numerous measures have been taken since the last audit. The report showed improvements made in health and safety. In the year under review, further progress was

shown. Additionally, documentation was improved, and new elections of safety & health representatives took place. For our facilities in Thailand, business slowly recovered after being seriously hit by Covid-19. Other customers that had cancelled orders slowly returned to place orders.

TUNISIA

Production sites	Audits	Implementation status
3	3	71 %

SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partner in **Tunisia** manufactures and washes jeans in three production sites for us. All three factories were audited by FWF so that necessary improvements could be detected and implemented. These mainly concern the areas of proper administration, election of worker representatives, wages, as well as health and safety. For all factories, we cooperate with other FWF member brands to improve social standards.

Two of our partners participated in an innovative pilot training by FWF and Just Solutions Network (JSN) which aimed “to ensure a well-functioning base of social dialogue in participating factories that could provide a forum in which issues such as the promotion of a living wage for garment workers could be later discussed and negotiated with mutual respect and in a spirit of cooperation.” Just Solutions and FWF continue to support the continuous process locally.

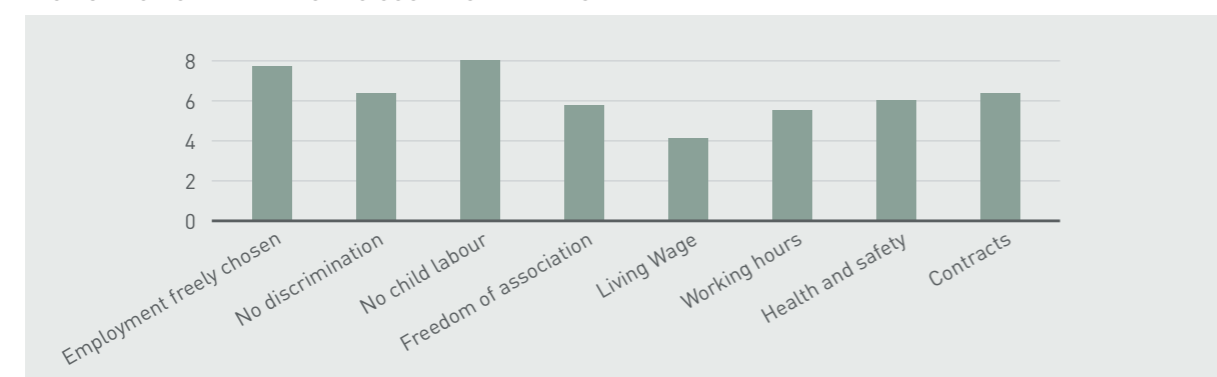


Visiting our denim washing partner in Tunisia.

III TURKEY

Production sites	Audits	Implementation status
4	3	69 %

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



A variety of goods is produced by our partners in **Turkey**. Our local agency is regularly on-site and strongly supports the production sites regarding implementation of social standards next to questions related to the production process. Through our local representation we could also

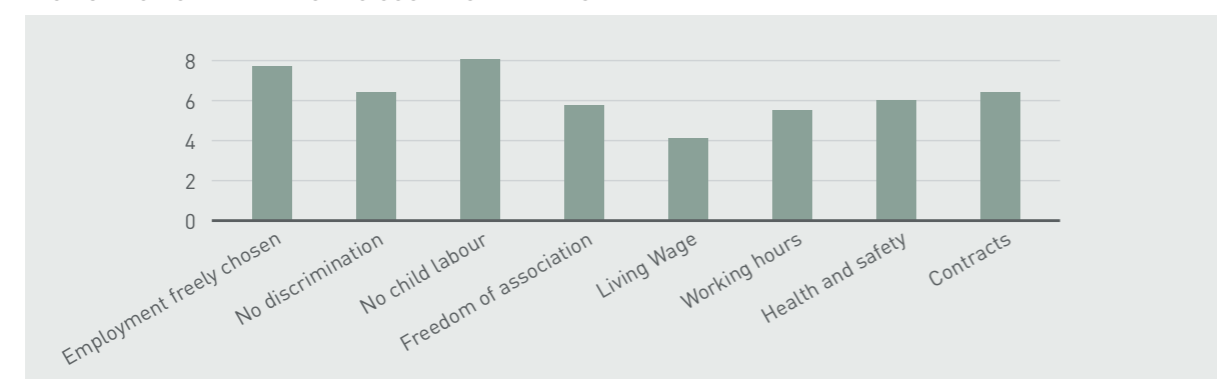
closely follow-up on the developments during times of travel restrictions.

In the year under review, one FWF audit took place. Main findings were in management system, freedom of association, living wages, working hours, and health and safety.

III VIETNAM

Production sites	Audits	Implementation status
1	1	50 %

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



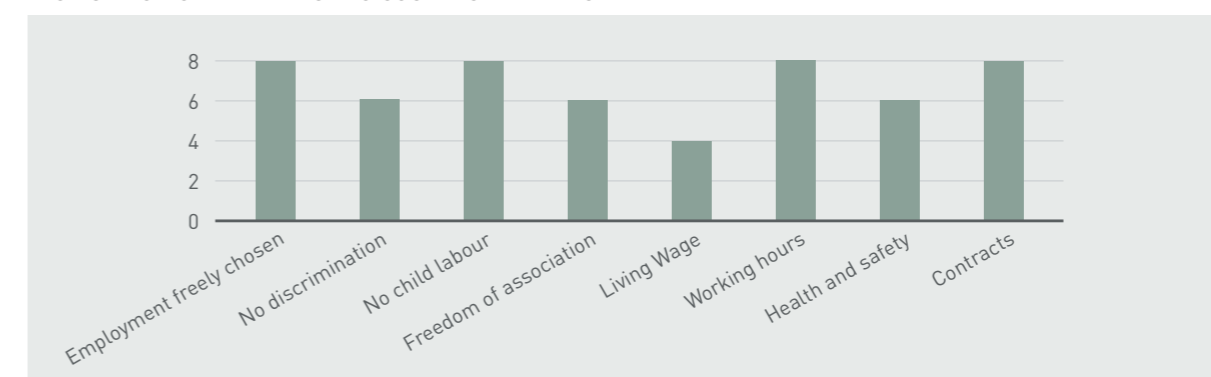
Our partner in **Vietnam** produces a small share of hessnatur's footwear. In the year under review, one social audit was conducted. Findings were mainly in the areas no discrimination, freedom of association, living wages, health and safety

as well as contracts. As the audit report was just made available at the end of the financial year, the CAP discussion is still outstanding during the year under review.

III UKRAINE

Production sites	Audits	Implementation status
1	1	53 %

III SITUATION OF ADHERENCE TO SOCIAL STANDARDS



Our partner in the **Ukraine** is mainly manufacturing jersey products. One audit took place in the year under review, mostly identifying findings in discrimination, freedom of association, living wages, and health and safety. Afterwards, a training followed aiming to improve factory communication. After the audit and training, several FWF member brands jointly agreed to work with the management on a corrective action plan. The implementation of this plan is mainly done by the CSR manager at the factory's parent company who is specifically responsible for social standards in all branches. Even though the factory is in the far

west of the Ukraine, the Russian invasion had effects on the workers. FWF instantly organized a joint call to offer brands advice how to proceed. The Ukrainian wish was to continue economic operations where possible to provide stability and economic income.

All workers were paid independently whether they came to work or not. All workers were offered to receive a position in Lithuania, but most workers decided to stay. Since then, the factory continues its operation. Ukrainian workers mostly have the wish to stay and continue working at the factory.



All workers at our partner in Ukraine were paid independently whether they came to work or not. All workers were offered to receive a position in Lithuania, but most workers decided to stay.

5.6 COMPLAINTS

5.6.1 Complaint's system

In case of work-related problems, via the FWF complaints procedure workers at our production sites can contact an independent party. The contact persons for the workers are local complaint handlers, who are chosen and trained by FWF. Their contact details are shown on the FWF Worker Info Sheets which must be posted well-visible and in local language at all hessnatur production sites at the beginning of cooperation. Additionally, factory managers and workers are informed about the complaints system during social audits and trainings as well as factory visits by our social standards team or by the FWF contact person itself.

When receiving a new complaint, the FWF complaints handler assesses whether the complaint concerns the regulations of our Code of Labour Practices. If so, FWF's head office and we are informed. We analyse each case in detail, including discussions with all involved parties and usually also on-site visits. Afterwards, suitable corrective actions are defined and verified in cooperation with FWF who publicly reports about each complaint.

5.6.2 Complaints in FY 2021/22

In 2021/2022, FWF received four complaints at production facilities used for hessnatur production. One was recorded in Romania. Two complaints with similar content were received in Turkey regarding the same production facility. The fourth complaint was noted regarding another Turkish facility.

Complaint in Romania

The complaint in Romania raised concerns regarding forced overtime, verbal harassment, and arbitrary change of workstations. The complaint was immediately addressed by the factory explaining that overtime is always voluntary and that there is a written confirmation for attending overtime. To address the complaint, worker representatives and management jointly signed policies regarding rotation policy, overtime hours as well as quotas. If quotas are not met, all workers are updated to receive at least 100% and if exceeding they receive additional pay. The verbal harassment was non-systemic and appeared between one supervisor and one worker. The following FWF audit and the complainant concluded that the complaint had been remediated. The factory was highly appreciative of the complaint process.

Complaints in Turkey

Two complaints in same production facility: The complainants reported that the factory required workers to take leave in low season. Therefore, workers are not able to take leave when they wish to. The factory stated that workers are free to take leave whenever they want to. The factory invited the worker representatives to discuss the complaint in their monthly meetings. Workers' representatives were not made aware of any problems regarding the leave policies. To continue the investigation hessnatur plans to visit the factory in the new financial year.

One complaint in a Turkish factory:

The complainant reported that overtime was compulsory, and workers had challenges taking sick or annual leave. The factory management stated that overtime should always be voluntary and started an investigation why overtime was perceived as being compulsory. To find the root cause of the complaint, a training was planned and a visit by hessnatur will take place in the new financial year.

5.7 TRAININGS AND CAPACITY BUILDING

Supplier trainings

Awareness of workers' rights and duties is the basis for effectively taking care and improving working conditions in production sites. If the management of productions sites as well as the workers themselves know their rights and duties and ways to assert and improve them in detail, they can jointly define vulnerabilities and steps for improvement. Workers can also stand up for their rights. Therefore, regular trainings on social standards are conducted for workers and the managers at hessnatur's production sites. Various formats for training are used for this purpose.

Workplace Education Programme (WEP)

The WEP was developed by FWF. Workers and management are informed about social standards, their rights and obligations and how to deal with them. WEP trainings are performed by qualified trainers from FWF who are familiar with the local languages and customs. Part of the training are the core labour standards, the FWF complaints procedure, internal communication mechanisms, as well as opportunities to improve them.

WEP Follow-up on communication

This training concept is intended for production sites who have already completed the WEP training. The objective of the training is to strengthen a company's ability to achieve improvements of working conditions themselves by means of worker-management dialogue such as effective complaint mechanisms. At the end of the training, each production site should have established functioning communication standards and an internal grievance mechanism managed by workers and management together. Up to now, this format is only available for a limited number of production countries.

Awareness Training Programme

This programme for workers and management at the production sites was developed by hessnatur. Like WEP trainings, both workers and management receive training by local trainers with experience in social standards. The trainings cover our eight core labour standards, mutual rights and obligations, as well as communication

mechanisms for improving working conditions. Emphasis is placed on raising awareness by means of interactive group exercises, discussions, and case studies. The participants themselves then develop solutions based on the individual conditions and communication channels in their production site.

In the year under review, trainings were paused to avoid the spread of Covid-19. For the upcoming financial year, training activities are already planned.



All trainings were held digitally.

New Employee Training

At hessnatur, not only the CSR department is responsible for our high environmental, social, and quality standards but every department has its share in this responsibility. Therefore, each new employee receives a training on the fundamental values of hessnatur. Our environmental and social standards are explained in detail. In addition, a hessnatur expert for social standards specifically describes the eight core labour standards, membership in FWF and the hessnatur monitoring system for social standards. In the year under review, the new employee training was held twice, in October 2020, December 2021 and in March 2022.

Besides the on-boarding training for every employee several individual trainings for new employees with specific impact on social standards, e.g. purchasing colleagues, were held.

III THE COMPLAINTS PROCEDURE IN BRIEF

1. Management and workers are informed about the complaints system
2. Complaint is received
3. Admissibility of the complaint is assessed by FWF
4. Investigation of the case
5. Corrective Action Plan is agreed on with all involved parties
6. hessnatur supports and monitors the implementation of corrective actions
7. Verification of taken steps and public reporting by FWF



COMPANY FACTS

Year of foundation	1976
Form of foundation	GmbH & Co. KG (limited liability company)
Distribution channels	E-commerce via online shop, stationary retail via stores, mail order via catalogue
Retail stores	Butzbach, Dusseldorf, Hamburg, Frankfurt, Munich and residual stock outlet in Butzbach
Subsidiary companies	Hess Natur-Textilien AG, Langenthal (Switzerland)
Founders	Dorothea and Heinz Hess
Headcount	346
FWF Member	since 2005

PRODUCTION STRUCTURE

No. of suppliers	69
No. of production sites	105
No. of countries of manufacture	26
No. of production sites in EU countries	75
No. of production sites in Non-EU countries	30

Statements and data in this report refer to the financial year 2021/2022 (1st August 2021 to 31 July 2022)

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